

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **VICE CHAIRMAN MIKE SPRAGUE**, on January 27,
2003 at 9:01 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Mike Sprague, Vice Chairman (R)
Sen. Sherm Anderson (R)
Sen. Vicki Cocchiarella (D)
Sen. Kelly Gebhardt (R)
Sen. Ken (Kim) Hansen (D)
Sen. Sam Kitzenberg (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)
Sen. Carolyn Squires (D)

Members Excused: Sen. Dale Mahlum, Chairman (R)
Sen. Bob Keenan (R)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Sherrie Handel, Committee Secretary
Eddy McClure, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion
are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 201, 1/15/2003; SB 216,
1/15/2003

Executive Action:

{Tape: 1; Side: A}

HEARING ON SB 201

Sponsor: SENATOR LINDA NELSON, SD 49, MEDICINE LAKE

Proponents: Frank Loehding, Montana Cooperative Services; Lance Melton, Montana School Boards Association; Dave Puyear, Montana Rural Education Association.

Opponents: None

Opening Statement by Sponsor:

SEN. LINDA NELSON said this bill adjusts the law regarding school purchase cooperatives and passed through the last session in HB 108. The law now states that a district may enter into a cooperative purchasing contract for the procurement of supplies or services with one or more districts. Cooperative purchasing is a good way for Montana school districts to be efficient in using their limited resources. Currently, if a school district participates in a cooperative purchasing pool, requests for bids for particular goods or services must be advertised in a daily newspaper of general circulation in each county in which a participating school district is located. This requirement keeps school districts from saving additional money. School districts buy through co-ops to make best use of their scarce resources. They are not mandated to use a co-op for their supplies and they may pick and choose what they want to purchase through them.

Proponents' Testimony:

Frank Loehding, Administrative Director, Montana Cooperative Services, stated his company was formed 18 months ago with a goal to save money for schools. They have an affiliation with 20 other states. Representatives from each of the 20 states meet and bid out such things as carpet, playground equipment, roofing and anything else schools use. He explained they meet to go through the bidding process and selection of vendors. They then allow their school districts to go through the bid received from those vendors. In all of the other states in this association, schools that purchase through their cooperatives do not have to rebid again unless the amount is over \$25K. In order to do the same in Montana, it must be advertised in every county in the state, which is quite costly. The purpose of this bill is to change that portion of the law.

Lance Melton, Montana School Boards Association, rose in support of the bill and explained that he assisted in the drafting of the bill. Their intent is to square up the law and allow the school districts to have the same capabilities and authority to purchase

through cooperative purchasing as the state currently possesses. He asked the committee to consider 18-4-402. School districts typically get left out when there is talk of government. Schools can go to the Department of Administration and work into whatever public procurement, multi-party contracts in which they've engaged, but they can't do so with each other. There are a lot of states where school districts can get the benefit of economies of scale such as Los Angeles or Salt Lake City that do multi-state contracts. The savings are dramatic and would allow our little school districts to purchase as though they are the United States government instead of a local school district in Montana. He urged the committee's support of the bill.

Dave Puyear, Montana Rural Education Association, offered his organization's strong support of the bill and stated they have been involved in the cooperative process from the beginning. He addressed requests from many people, including legislators, for the small, rural schools to work more efficiently. He stated that's what this cooperative does to help keep costs down and pointed out that the local vendor does not get left out of the loop in many of these contracts. The contracts are written in such a way that they get a piece of the pie as well.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. MIKE SPRAGUE asked **Mr. Puyear** for more information about the local issue. He deferred to **Mr. Loehding**, who explained that, most of the time, local vendors are involved. The only time they would not be involved would be if they do not provide a certain service or product.

SEN. SPRAGUE and **SEN CAROLYN SQUIRES** questioned **Mr. Loehding** about notification of local vendors. He replied that as the situation now stands, it is cost prohibitive to advertise in every newspaper in the state. **Mr. Melton** suggested an amendment utilizing the Office of Public Instruction as the clearinghouse and gave examples of how the state now handles the same issues.

SEN. DON RYAN requested from **Mr. Melton** a graph or flowchart for everyone to understand how this would work. **Mr. Melton** said he would put together a parallel flowchart to show how the state now does it, because this bill proposes to do it identically. He also answered **SEN. RYAN'S** question about whether or not a school district must purchase through the cooperative. The answer is they may, but do not have to use the cooperative.

SEN. KIM HANSEN stated that the way he read the bill, schools do not have the option; however, **Mr. Melton** said they have the authority to opt out.

SEN. KELLY GEBHARDT inquired about a list of potential bidders for specific items. When he was a county commissioner, they allowed vendors to put in their name and type of service or goods to be provided. When the county needed something, they notified the people on that list. **Mr. Melton** said the cooperative purchasing pools all have a common feature. They specifically put out a notification of bids to interested parties, but the question was how you can get those interested parties notified so they can get on the list in the first place. That's why he felt that using the Office of Public Instruction as a clearinghouse would work well.

{Tape: 1; Side: B}

Closing by Sponsor:

SEN. NELSON pointed out that school districts have an obligation to hold costs down and felt that working through the Office of Public Instruction would work well. She will let members of the committee know when amendments to the bill would be ready.

HEARING ON SB 216

Sponsor: SENATOR VICKI COCCHIARELLA, SD 32, MISSOULA

Proponents: George Wood, Montana Self-Insurers Guarantee Fund

Opponents: None

Opening Statement by Sponsor:

SEN. VICKI COCCHIARELLA said this is a workers comp bill that deals with the guarantee fund, which is for the big businesses in the state. They are companies that are large enough to qualify through the Department of Labor and through the fund itself to be self insured in the state of Montana. Self-insured businesses have to put some type of bond or other form of assurance to say they can cover their risks. From there, they are assessed to pay for the administration of their program to the Department of Labor and to the fund. On line 18 of the bill, **SEN. COCCHIARELLA** pointed out that the total annual assessments in any calendar year may not exceed 5 percent. However, it is actually only .4 percent they are being assessed now. All of these businesses are

jointly and separately liable. If one goes down the tubes, then the rest are responsible. The Department of Labor and the Guaranty Fund have worked diligently to make sure that everyone who works under the self-insured program in Montana doesn't get stung. She used the example of what happened with Great Western Sugar. The bill allows for the fund to make an assessment of those businesses who leave the group either to go to another kind of insurance or because they went bankrupt to continue to assess for the tail. The tail is the part that is left behind with regard to claims still active. It can get expensive and it's not fair to the other insurers to cover those amounts. This bill allows the fund to continue to collect an assessment for the tail.

Proponents' Testimony:

George Wood, Montana Self-Insurers Association and Montana Self-Insurers Guaranty Fund, rose in support of the bill. It was requested by the Guaranty Fund; and, because they are a non-profit agency, they cannot lobby, so the association took on that job for them. He gave some background on the Montana Self-Insurers Guaranty Fund. It was created by the legislature in 1989 at the request of the Guaranty Fund. The assessment would be based on payments in the preceding calendar year. As the tail fades, their liability will also fade. When companies leave the fund, they can leave voluntarily, such as in the case of mergers. There have been no terminations as a result of actions of the department. The bill affects only the present self-insurers when they leave. It does not affect self-insurers who are already gone. They have had some bankruptcies in the Guaranty Fund; however, no claimant has lost any money, but neither has there been any assessment against self-insurers.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. SHERM ANDERSON asked **Mr. Wood** the current balance in the fund. **Mr. Wood** answered that it is prospective and the balance is \$150K. It is determined by the Board of Managers based on payments to claimants.

Closing by Sponsor:

SEN. COCCHIARELLA thanked the committee and urged their support.

ADJOURNMENT

Adjournment: 9:55 A.M.

SEN. DALE MAHLUM, Chairman

SHERRIE HANDEL, Secretary

DM/SH

EXHIBIT (bus17aad)